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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92054468
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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

AQUA-AEROBIC SYSTEMS, INC. Petitioner, v. MICHAEL J. McKELVY, d/b/a AQUAROBIC INTERNATIONAL, Registrant.	Cancellation No. 92/054,468 Registration No. 3,858,155
MICHAEL J. McKELVY, d/b/a AQUAROBIC INTERNATIONAL, Counterclaim-Petitioner, v. AQUA-AEROBIC SYSTEMS, INC., Counterclaim-Registrant.	Registration No. 2,056,978

**PETITIONER AQUA-AEROBIC SYSTEMS, INC.'S REPLY BRIEF IN SUPPORT OF
ITS MOTION TO DISMISS REGISTRANT'S COUNTERCLAIM FOR FAILURE TO
STATE A CLAIM AND TO STRIKE REGISTRANT'S AFFIRMATIVE DEFENSES**

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Registrant's opposition confirms that it has failed to plead a legally proper counterclaim for fraud. To assert a viable claim of fraud, Registrant must allege, with particularity rather than by implied expression, that Petitioner knowingly made a false, material misrepresentation in the procurement of or renewal of a registration with the intent to deceive the U.S. Patent and Trademark Office. In re Bose Corp., 580 F.3d 1240, 91 U.S.P.Q.2d 1938, 1942 (Fed. Cir. 2009); Enbridge Inc. v. Excelerate Energy LP, 92 U.S.P.Q.2d 1537 (TTAB 2009); Exergen Corp. v. Wal-Mart Stores Inc., 575 F.3d 1312, 91 U.S.P.Q.2d 1656, 1667 (Fed. Cir. 2009) ("our precedent ... requires that the pleadings allege sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind").

For three independent reasons, Registrant has fallen woefully short of its burden and the Counterclaim must be dismissed. In addition, the Affirmative Defenses should be stricken.

**I. REGISTRANT'S NEW TERRITORIAL AND
FIELD OF USE ARGUMENTS ARE NOT SUPPORTED
BY ITS PLEADING AND DO NOT SUPPORT SENIOR USE**

Registrant's new territorial and field of use arguments center around its alleged "common-law" rights to use the AQUAROBIC mark in some unidentified territory distinct from "Petitioner's Illinois-based territory," and for some unidentified distinct "goods and channels of trade." (Opposition, pp. 10-11). These allegations, however, cannot be found in Registrant's pleading. In fact, Registrant's argument sounds suspiciously like an attempt to interject a concurrent use proceeding into this cancellation proceeding, which is improper. See, e.g., Stock Pot Restaurant, Inc. v. Stockpot, Inc., 220 U.S.P.Q. 52 (TTAB 1983), *aff'd*, 737 F.2d 1576, 222 U.S.P.Q. 665, 669 (Fed. Cir. 1984) (attempt to interject concurrent use proceeding into cancellation unavailing); Mother's Restaurant Inc. v. Mama's Pizza, Inc., 723 F.2d 1566, 221 U.S.P.Q. 394, 400 (Fed. Cir. 1983) (concurrent use not available in cancellation by way of counterclaim); Rosso & Mastracco, Inc. v. Giant Food Inc., 720 F.2d 1263, 219 U.S.P.Q. 1050,

1053 (Fed. Cir. 1983); Selfway, Inc. v. Travelers Petroleum, Inc., 579 F.2d 75, 198 U.S.P.Q. 271, 277 (CCPA 1978) (concurrent rights can only be adjudicated in concurrent use proceeding).

Moreover, the facts alleged in Registrant's Counterclaim do not support its new distinct "territorial" and distinct "goods and channels of trade" arguments. For example, although Registrant's AQUAROBIC registration is currently registered in International Class 040, it seeks to change that classification to Class 011 – the *same* classification of Petitioner's AQUA-AEROBIC trademark. (Counterclaim, ¶15, p. 9; Third Affirmative Defense, p. 6). Thus, Registrant is seeking to amend its mark to encompass the same exact classification as AQUA-AEROBIC's mark – waste water treatment systems – hardly distinct goods and channels of trade. Registrant also asserts in Paragraph 22 of its Counterclaim that it had rights "in connection with the sale of wastewater treatment systems" – also clearly not a distinct good or channel of trade from Petitioner. In short, this late attempt to carve a niche into the parties' rights based upon goods and channels of trade is simply not supported in any averment of Registrant's Counterclaim.

Registrant's new territorial argument is likewise nowhere to be found in its Counterclaim pleading. To the contrary, Registrant asserts that it has "common-law trademark rights in the United States." (Counterclaim, ¶10, p. 8; see also ¶¶5, 6, 7, 9). Although Registrant claims that "[i]t is clear that Registrant's territory was distinct from Petitioner's Illinois-based territory," (Opposition, p. 11), its pleading is completely silent on this alleged "distinction." Registrant also never pleads or identifies what it considers to be its own territory, or the extent of Petitioner's. Nor has it pled any agreement between the parties to divide up the territory, since there is none.

In fact, Registrant claims that Petitioner legally adopted the name "Aqua-Aerobic Systems, Inc." in 1976. (Counterclaim, ¶16, p. 9). This is indisputably earlier than Registrant's asserted date of first use in 1978, which makes Petitioner the senior user. (See Counterclaim, ¶6,

p. 7). Worse, Registrant never pleads facts that it has continuously used its own mark in the United States, or in any specific territory for that matter, since 1978. Thus, Registrant's reliance on 15 U.S.C. §1115(b)(5) is misplaced. In short, Registrant has not pled that it had superior rights in certain territories, or that it had superior rights in distinct goods and channels of trade, even if such pleading was proper in this proceeding – and it is **not**.

As a matter of law, as the first to adopt and use its mark anywhere in the country, Petitioner is the "senior user." See, e.g. Accu Personnel v. Accustaff, Inc., 846 F. Supp. 1191, 1204, fn. 12 (D. Del. 1994) citing 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 26.01[1] (3d ed. 1992) ("The 'senior user' is the first to adopt and use a mark anywhere in the country. The 'junior user' is the second user, regardless of whether it adopts and uses a mark in a geographically remote location."). Petitioner was also first to register its mark. And, once again Registrant **admits** that Petitioner is the senior user of the mark. (See Opposition, p. 8). Thus, not only has Registrant admitted that Petitioner is the senior user of the mark in its Counterclaim; it reaffirms it in its Opposition brief, stating that Petitioner's rights began in March 1970, while Registrant did not begin using the AQUAROBIC mark until 1978. This causes Registrant's fraud claim to fall like a house of cards. This alone requires dismissal of the Counterclaim.

II. REGISTRANT FAILS TO PLEAD THAT PETITIONER KNEW OR SHOULD HAVE KNOWN THAT REGISTRANT HAD THE SUPERIOR RIGHT TO USE THE MARK

If Registrant admits that Petitioner is the senior user of the mark – which it is as a matter of law, *supra* – how can it state a claim that Petitioner knew or should have known that Registrant had superior rights and intended to deceive the Patent and Trademark Office? See, e.g., Heaton Enterprises of Nevada Inc. v. Lang, 7 U.S.P.Q.2d 1842, 1849 (TTAB 1988) (Where a party "believed and was claiming that it had a right superior to that of other parties who might

be using it, fraud is not shown by proof that [defendant] was aware of those other uses."). Registrant simply continues to point to the alleged 1990-1992 communications, which do nothing more than establish that Petitioner certainly **did not** believe Registrant had a superior right to use the mark.

A description of Registrant's response to the alleged 1990-1992 letters is set forth in Paragraph 13 of its Counterclaim: "Registrant denied the infringement allegations and confirmed its preexisting rights in its AQUAROBIC mark(s), which it believed were superior to Petitioner's rights in its mark AQUA-AEROBIC." In its Opposition, Registrant attempts to twist this into its "superior common-law rights in the territory in which it was selling," but its pleading does not support this. (Opposition, p. 11)¹. In fact, Registrant provides no information about the content of the correspondence other than its own conclusions and beliefs. Such an allegation is "insufficient because it is devoid of any details regarding the substance of [Registrant's] alleged communication to [Petitioner]." Intellimedia Sports, Inc. v. Intellimedia Corporation, 43 U.S.P.Q.2d 1203, 1205 (TTAB 1997). As set forth by Registrant at page 12 of its Opposition, "[t]he plaintiff must plead particular facts, which, if proven, would establish that, as of the application filing date, ***the defendant believed that the third party had superior or clearly established rights*** and that a likelihood of confusion would result from applicant's use of the mark." Id. (emphasis added). All Registrant has done is state its own belief – not Petitioner's alleged belief or any factual basis for Petitioner's alleged belief.

Registrant further appears to rely upon Petitioner's alleged "acquiescence" to its unpled "continued use of [Registrant's] marks" based upon Registrant's communications in 1990-1992.

¹ Under the standard advanced by Registrant, Registrant admittedly committed fraud when it filed its declaration in support of its registration which is the subject of these cancellation proceedings.

(Opposition, p. 12). However, this is not enough to establish that Petitioner believed Registrant had a superior right to the mark in the U.S. In Intellimedia, the Board rejected similar circumstances:

Furthermore, petitioner's allegation that respondent "was informed by Petitioner of the Petitioner's superior rights in the mark" is insufficient because it is devoid of any details regarding the substance of petitioner's alleged communication to respondent. If, as alleged here by petitioner, petitioner's communication to respondent consisted solely of this merely conclusory claim of "superior rights" in the mark, then petitioner's allegation, even if proven, **would not establish that respondent knew and believed that petitioner had superior rights in the mark and that a likelihood of confusion would result from respondent's use of the mark, nor would it establish that respondent had no reasonable basis for holding a contrary belief.**

Intellimedia, 43 U.S.P.Q.2d at 1205 (emphasis added); see also Galleon S.A., Bacardi-Martini U.S.A., Inc. et. al. v. Havana Club Holding, S.A., et. al., 2004 TTAB LEXIS 38, *55 (TTAB Jan. 29, 2004) ("the pleaded facts, even when construed in a light most favorable to petitioners, do not support a key element of petitioners' claim, i.e., that Cubaexport knew when it filed its application that JASA had the right to use the mark in the United States."); Space Base Inc. v. Stadis Corp., 17 U.S.P.Q.2d 1216, 1218 (TTAB 1990) ("[I]t is settled that there can be no fraud by reason of a party's failure to disclose the asserted rights of another person...unless that person is known to possess a superior or a clearly established right to use..."); Colt Industries Operating Corp. v. Olivetti Controlo, 221 U.S.P.Q. 73, 76 (TTAB 1983) ("It is our view that opposer had no duty to notify the Office of applicant's bare unsubstantiated allegation and, *a fortiori*, it cannot be said that opposer's failure to notify the Office of the bare unsubstantiated allegation caused opposer's oath to become fraudulent."). Fraud "will not lie if it can be proven that the statement [to the PTO], though false, was made with a reasonable and honest belief that it was true." Smith International, Inc. v. Olin Corp., 209 U.S.P.Q. 1033, 1043 (TTAB 1981); King Automotive, Inc. v. Speedy Muffler King, Inc., 667 F.2d 1008, 1011, fn. 4 (C.C.P.A. 1981). Therefore, Registrant

did not sufficiently plead that Petitioner "knew or should have known" that Registrant had superior rights.

For this further independent reason, Registrant's Counterclaim should be dismissed.

III. BY ITS OWN ADMISSION, REGISTRANT FAILED TO PLEAD INTENT TO DECEIVE

A third reason to dismiss Registrant's Counterclaim is its failure to plead intent. Registrant's assertion that Petitioner has misstated the "intent" element of fraud is wrong. Three weeks ago the Board again laid out the elements of a fraud claim, stating:

The relevant standard for proving fraud set forth in In re Bose Corp., 580 F.3d 1240, 91 USPQ2d 1938 (Fed. Cir. 2009), requires a showing of the following four elements: (1) applicant/registrant made a false representation to the USPTO; (2) the false representation is material to the registrability of a mark; (3) applicant/registrant had knowledge of the falsity of the representation; and (4) ***applicant/registrant made the representation with intent to deceive the USPTO.*** Id., 91 USPQ2d at 1941.

ShutEmDown Sports, Inc. v. Carl Dean Lacy, 2012 TTAB LEXIS 44, *32 (TTAB Feb. 22, 2012) (emphasis added).

Although Registrant cites seven cases in support of its position at page 7 of its Opposition, none postdate In re Bose. Under In re Bose, deceptive intent must be proven "to the hilt" by clear and convincing evidence. 580 F.3d at 1243. In its Opposition, Registrant merely states that "[u]nder settled Board law, no further allegations of an attempt to inveigle the PTO are necessary to establish Petitioner's fraudulent-application claim." (Opposition, p. 13). That is clearly not so. Specific facts must be pled to support at least an inference of intent to deceive. Here, there are none.

Although Rule 9(b) allows that intent may be alleged generally, the pleadings must allege sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind. Exergen Corp., 92 U.S.P.Q.2d at 1667, n.4. Pleadings of fraud which rest

solely on allegations that the trademark applicant or registrant made material representations of fact in connection with its application or registration which it "knew or should have known" to be false or misleading are an insufficient pleading of fraud because it implies mere negligence and negligence is not sufficient to infer fraud or dishonesty. In re Bose, 91 U.S.P.Q.2d at 1940, quoting Symbol Techs., Inc. v. Opticon, Inc., 935 F.2d 1569, 1582 (Fed. Cir. 1991). Thus, under Bose, intent is a specific element of a fraud claim and an allegation that a declarant "should have known" a material statement was false does not make out a proper pleading. See Asian & Western Classics B.V. v. Selkow, 2009 TTAB LEXIS 643, *5-6 (TTAB Oct. 22, 2009) (finding Petitioner's fraud claim insufficient).

By its own admission, Registrant has insufficiently pled this required element of a fraud claim (or the required factual underpinnings), as it believes such allegations are not "necessary." Additionally, as described in Section II above, because Registrant cannot plausibly plead that Petitioner "knew or should have known" that Registrant had superior rights, it follows that it cannot plead that Petitioner intended to deceive the PTO. For this further reason, it Counterclaim must be dismissed.

IV. REGISTRANT'S AFFIRMATIVE DEFENSES SHOULD BE STRICKEN

Finally, Registrant embarks on a bizarre argument that Petitioner invoked Twombly and Iqbal 12(b)(6) pleading standards for dismissing a cause of action for failure to state a claim in its request to strike Registrant's affirmative defenses. Petitioner did no such thing. As stated in Petitioner's Motion at pages 11-13, Petitioner's arguments with respect to Registrant's affirmative defenses are that (1) Registrant's First Affirmative Defense is merely a copy of its fraud counterclaim, and should therefore be stricken; (2) Registrant's Second Affirmative Defense is immaterial because it cannot plausibly prove its fraud counterclaim; and (3) Registrant's Third

Affirmative Defense is simply improper as a matter of law. Registrant offers little in the way of argument in its Opposition on these points.

Registrant argues that dismissal of its First Affirmative Defense is "not ripe" and that it goes to "Petitioner's standing." (Opposition, p. 14). However, Registrant's First Affirmative Defense is based upon the same insufficient pleading as its fraud Counterclaim, and is thus identical to that Counterclaim. If the Board agrees that Registrant has not properly pled its Counterclaim, its Affirmative Defense likewise cannot stand. Petitioner requests that this Affirmative Defense be stricken as redundant and identical to its improper Counterclaim. See Space Base, 17 U.S.P.Q.2d at 1218 (affirmative defenses substantially similar to stricken counterclaim stricken as redundant and impertinent); Continental Gummi-Werke AG v. Continental Seal Corp., 222 U.S.P.Q. 822, 825 (TTAB 1984) (affirmative defenses stricken because identical to counterclaim).

Registrant similarly argues that dismissal of its Second Affirmative Defense is not proper because Petitioner "presupposes" that the board will dismiss its Counterclaim. Additionally, Registrant relies on its "**anticipation**" that Petitioner may attempt to excuse the representations in its application...by saying that there was no likelihood of confusion, mistake, or deception as between the marks." (Answer, p. 6). As described, Petitioner believes Registrant has not properly plead its Counterclaim regarding, *inter alia*, Petitioner's "representations," "knowledge," and "intent to deceive," and as a result, this Affirmative Defense is immaterial and should be stricken.

Finally, Petitioner disagrees that Registrant's Third Affirmative Defense is "largely a matter of semantics." As Petitioner set forth in its Motion, there is a proper procedure for attempting to amend a trademark registration in the manner sought by Registrant, which does not appear to include doing so via an affirmative defense. Even Registrant can cite to no law

supporting such an affirmative defense. If indeed "Registrant intends to exercise its right to seek amendment via motion in this proceeding," it should do so, and its Third Affirmative Defense should be stricken.

V. CONCLUSION

In conclusion, Registrant does nothing more in its Opposition than strengthen Petitioner's argument that Registrant has not sufficiently stated a claim for fraud. For the reasons set forth in Petitioner's Motion, as well as the reasons set forth above, Petitioner respectfully requests the Court grant its Motion to Dismiss Registrant Aquarobic's fraud counterclaim, and strike Registrant Aquarobic's First, Second, and Third Affirmative Defenses.

Dated: March 8, 2012

Respectfully submitted,

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PROOF OF SERVICE

I hereby certify that the foregoing PETITIONER AQUA-AEROBIC SYSTEMS, INC.'S
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COUNTERCLAIM FOR FAILURE TO STATE A CLAIM AND TO STRIKE REGISTRANT'S
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